

Message Text

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ACTION AF-07

INFO OCT-01 EUR-12 ISO-00 L-02 IGA-01 AID-05 CIAE-00

COME-00 EB-07 FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00

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FM AMEMBASSY ACCRA

TO SECSTATE WASHDC PRIORITY 5901

INFO AMEMBASSY LONDON

C O N F I D E N T I A L ACCRA 7112

E.O. 11652: GDS

TAGS: EFIN PFOR IBRD GH

SUBJ: GHANA'S ECONOMY: BALANCE OF PAYMENTS

REF: (A) LONDON 15979 (B) STATE 271839 (C) ACCRA 7066

1. GHANAIAN BALANCE OF PAYMENTS CLEARLY DETERIORATING AND GIVES CAUSE FOR CONCERN. HOWEVER, WE BELIEVE "EXTREMELY SERIOUS" DESCRIPTION IS OVERSTATED, AT LEAST AT THIS TIME.

2. HEALTHY BALANCE OF PAYMENTS SURPLUS EARLY IN YEAR, REFLECTING POSITIVE BALANCE OF TRADE, HAS BEEN EATEN INTO AS CONTROL OVER IMPORTS SEEMS TO HAVE ELUDED GOG.BALANCE OF TRADE TURNED SHARPLY NEGATIVE AT MID-YEAR. VALUE OF UNUTILIZED PORTIONS OF ALL 1974 IMPORT LICENSES CUT IN HALF AT END OF THIRD QUARTER (ACCRA 5389), AND NO LICENSES FOR 1975 HAVE YET BEEN ISSUED -- TO THE CONSTERNATION OF BUSINESSMEN.

3. IBRD REP REITTER AND SR. ECONOMIST MCGIBBON TOLD EMBOFF AND AID OFFS THAT GOG FOREIGN EXCHANGE RESERVES CURRENTLY ON THE ORDER OF DOLS 50 - 70 MILLION, DOWN FROM OVER DOLS 150 MILLION EARLIER THIS YEAR.

4. IMPORT LICENSE SYSTEM FAILED AS A RESULT OF ECONOMIC AND POLITICAL PRESSURES ON THE SYSTEM. AT PRESENT TIME VERY LITTLE IS

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KNOWN ABOUT THE ABSOLUTE MAGNITUDE OF THE FAILURE OR THE COM-

POSITION OF THE IMPORTS THAT THIS FAILURE PERMITTED. THIS MAKES IT VERY DIFFICULT TO PREDICT THE FINAL OUT-TURN FOR 1974 AND UNFEASIBLE TO MAKE AN ESTIMATE FOR 1975.

5. REITTER SAID THAT MEETINGS OF IBRD VISITING TEAM WITH GOG SHOWED CONCERN OVER B/P ON BOTH SIDES. GOG RECOGNIZED NEED TO TIGHTEN IMPORTS AND IS WORKING ON PROCEDURES, BUT FEW SPECIFICS YET DECIDED. GOG INFORMED REP THAT IT WOULD BE CALLING ON IMF OIL FACILITY, A COURSE IT HAD REJECTED AS RECENTLY AS SEPTEMBER.

6. RUMORS OF A DEVALUATION HAVE BEEN RIFE RECENTLY IN DIPLOMATIC AND BUSINESS COMMUNITY. REITTER STATED THAT HE HAD FLOATED THIS AS A TALKING POINT WITH GOG AND WAS IMMEDIATELY SHOT DOWN; HE IS CONVINCED DEVALUATION IS NOT RPT NOT IN CARDS. WE TEND TO AGREE THAT IT UNLIKELY, IN VIEW OF FACTS THAT (A) IT WOULD RESULT IN IMMEDIATE INFLATIONARY IMPACT WHICH WOULD ADD SIGNIFICANTLY TO CURRENT 20-PLUS PERCENT ANNUAL RATE, (B) IT WOULD NOT RPT NOT AFFECT LEVEL OF EXPORTS SINCE THESE SOLD AT WORLD PRICES, AND (C) POLITICAL EMBARRASSMENT (RECALL THAT NRC GOVERNMENT LARGELY REVERSED ITS PREDECESSOR'S DEVALUATION WITHIN DAYS OF TAKING OFFICE IN 1972).

7. PROTECT IBRD SOURCE CAREFULLY.

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